Presentation to IBM Strategy Board

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IBM Strategy Board

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Services for the 90s

Competing in a Revolution

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- Introduction
- IT Revolutions
- Competitive Environment
- Vendor Strategies
- Conclusion

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Introduction

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Customer Perspective

The customers are not
who they were!

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IT Revolutions

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Trends Affecting IT

- Aggregation/disaggregation
- Integration of IT and business operations
- Global competition
- Work migration
- Cost consciousness
- Legislation/regulation

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Revolutions

- Downsizing
- Outsourcing
- Re-engineering
- Networking

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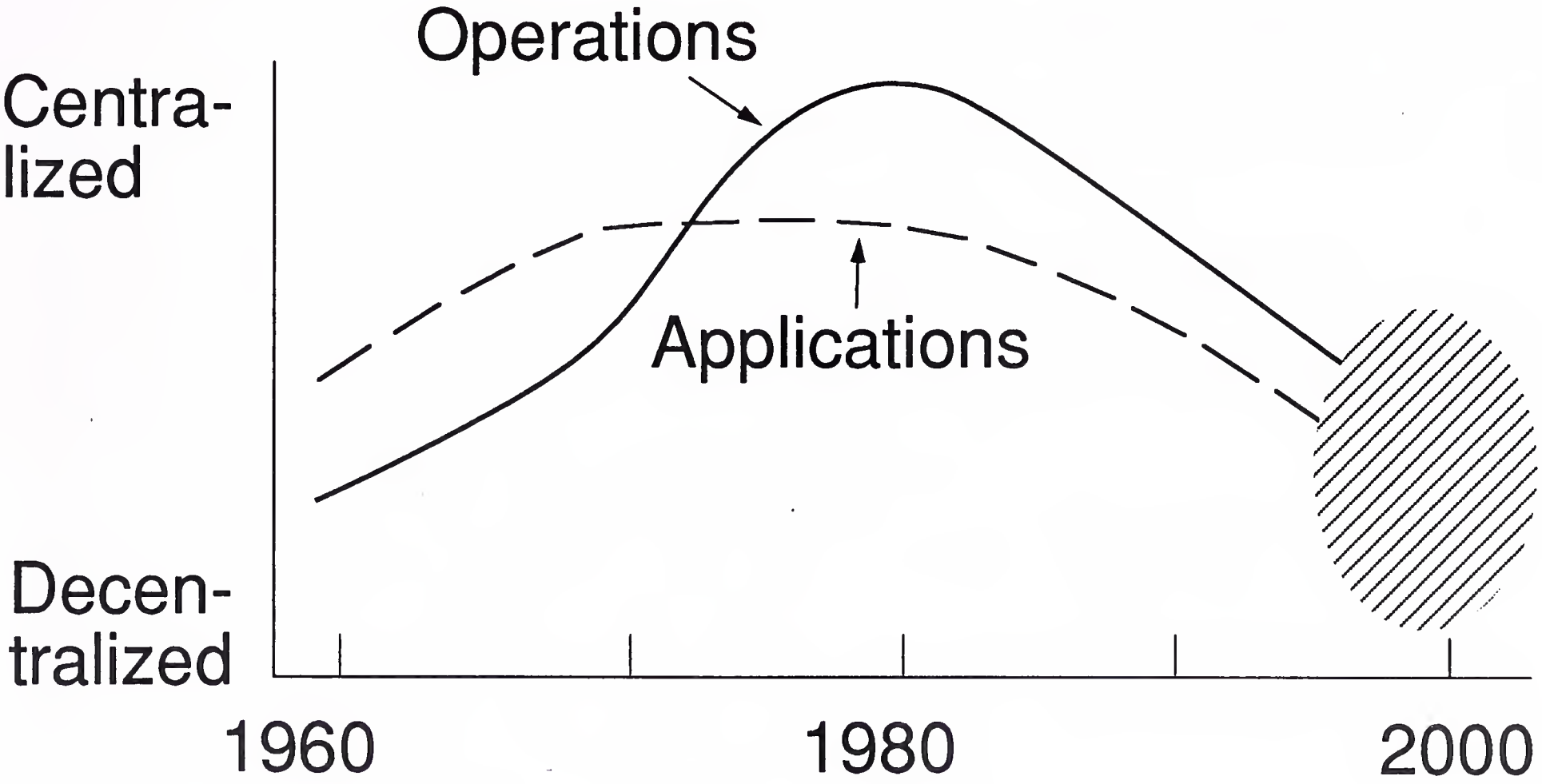
IT Trends



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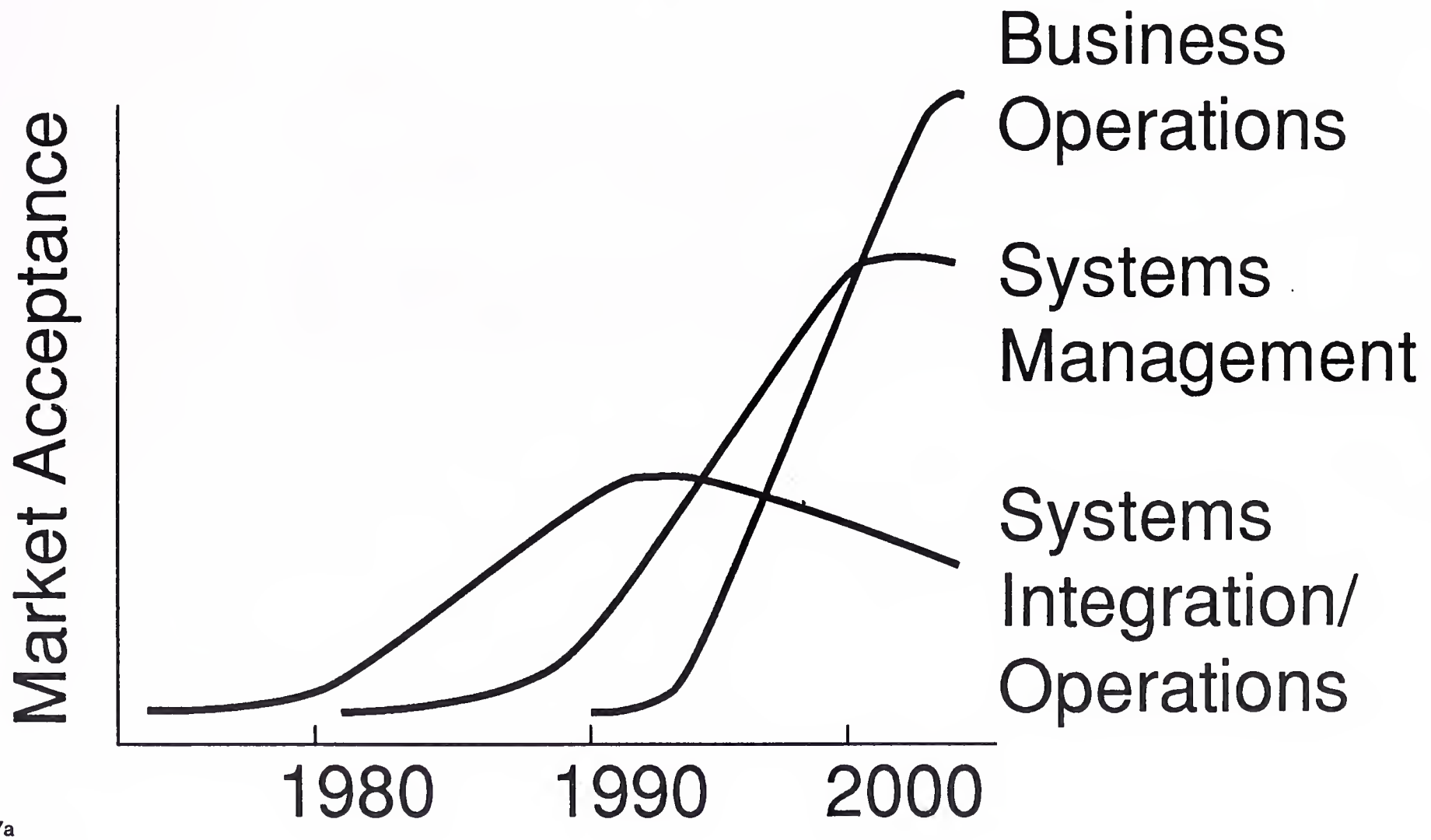
Outsourcing Market Waves



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Competitive Environment

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Competitive Environment

- Still fragmented
  - Top IS vendors are 25% of market
  - Characteristics of buyers determine variety of vendors
  - New entries faster than losses
- "Harvesting" and combination continues

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Competitive Environment

- Becoming very price competitive in many segments
- Systems companies taking market share:
  - IBM
  - Unisys
  - Digital
  - Sun

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Competitive Environment

- Boundaries are disappearing
  - Between information/other services
  - Within information services categories
  - Within the IT industry

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Competitive Environment

- Everyone focussing on
  - Services
  - Verticals

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Impresión Restringida

Competitive Environment

- Battlegrounds
  - IT services
  - IT-based services

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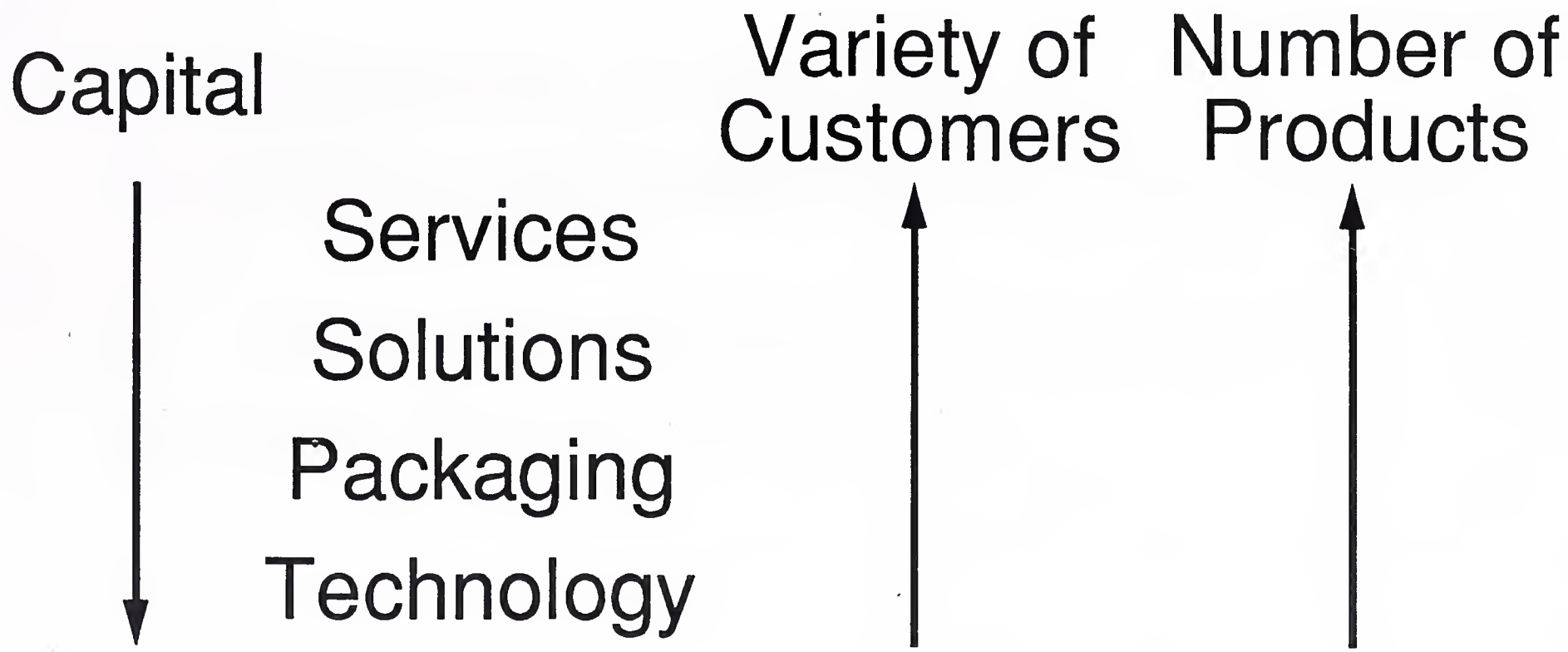
IT Levels



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Information Services Competitors

1. Systems companies—
investing, services-based, structured

2. Software product companies—
product-based expansion

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Information Services Competitors

3. Services vendors—independent, expanding
   - Over $1 billion, raising sights
   - Over $100 million, controlling market segments

4. Non-IT companies—moving in
   - Based on customers
   - Based on products

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Top Ten Information Services Providers (Worldwide)

Vendor	FY93 Rev. ($B)
IBM	20.7
EDS (Non-GM)	5.2
NTT Data	3.8
Microsoft	3.4
Fujitsu	3.2

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Top Ten Information Services Providers (Worldwide)

Vendor	FY93 Rev. ($B)
Digital	3.1
Andersen	2.9
Reuters	2.7
CSC	2.5
Unisys	2.4

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Vendor Strategies

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ADP

- Conservative
  - Changing
  - Acquiring Peachtree
- Transaction-based, machine-like

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ADP

- Management will change
- Leverage client base
- Not an IT company in self image

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Andersen Consulting

- Changed from SI to BI
- Extending "pipeline" coverage
  - Strategic services
  - Consulting
  - Change management
- Recognizes infrastructure limits

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Andersen Consulting

- Emphasizing software technology
- Partnering
- "Leap frogging" IT outsourcing to business operations
- Changing
  - Now, time-based
  - Future, knowledge-based

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Andersen Consulting

- First to client-server
- First to objects
- First to business/IT integration
- First to industry practices

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Andersen Consulting

- International strength
- Not a U.S. company—network structure
- Growth slowing

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CSC

- Most changed leader
  - Federal to shared (commercial/federal)
  - U.S. to international
- Jumped the infrastructure hurdle
  - General Dynamics

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CSC

- Acquisition oriented-stock more powerful
- 'Index' a key to change
  - BPR
- ROI not ROR driven

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CSC

- Has been conservative
- New management
- New image

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EDS

- 'Mega' contracts
- Existing business changing
- Business operations direction
- International expansion

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EDS

- Focus on $25 billion—growth slowing
- Adding consulting—IT and other
  - Lead to operations
- Trying to decentralize
  - 38 SBUs
- Network focus

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EDS

- Focus on verticals
- 'Acquires' contracts
  - Purchase/lease back
  - Use money
- "For sale"

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First Data Corp. Strategy

- Strategy is to offer services which facilitate managing the flow of funds

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First Data Corp. Strategy

- Industry emphasis
  - Credit card
  - Health
  - Mutual fund
  - Cable TV
- Wants to become #1 or #2 provider in each market it serves

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First Data Corp. Strategy

- Looking for additional add-on card-based services
- Tends to grow by acquisition...
- ...but in January 1994 started new "First Data Electronic Funds Services"

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Microsoft Strategies

- Enterprise operating systems
  - NT as "place-holder"
  - Cairo (OOP); competing with Taligent
  - UNIX alternatives
  - Key to applications control

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Microsoft Strategies

- Desktop operating systems
  - Chicago to replace Windows
- Object-oriented programming
- Multimedia
  - Workgroup focus

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Microsoft Strategies

- Consumer focus
  - Teledesic (Gates/McGaw)
- Suite pricing
- Hooking applications to OS (bundling)

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Oracle Strategies

- Diversification
  - Oracle industries
    - Industry templates
    - Consulting
  - Systems integration

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Oracle Strategies

- Databases
  - Enterprise-wide thrust (DCE)
  - Mainframe coexistence
- N^3
  - MPP machine
  - Database server
  - Multimedia applications

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Reuters Strategies

- Expansion to U.S. markets
  - Consumer finance
  - Securities
  - Media
  - Health care

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Reuters Strategies

- Aggressive acquisitions
  - 25 whole/partial transactions in 1993
  - Teknekron
  - Quotron
  - Reality Technologies

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Powerful Alliances

- Intel (Reuters platform)
- Microsoft (beta test-Windows)
- Standard and Poors
- Variety, Inc.

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SGI Strategies

- Visualization
- Megaflops
  - Mega I/O
- Software innovation

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Conclusion

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Conclusion
Implications for IBM

- Compete at each level in chain
- Aggressively grow services
- Acquire don't just "partner"

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Conclusion
Implications for IBM

- Get into content business
- Develop and sell software as independent business
- Move out from just IT services

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Conclusion
Implications for IBM

- Go for big markets and small
- Structure to manage
  - Many small units
  - Few large units

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Conclusion
Implications for IBM

- Use technology and range to advantage
  - Sell "futures"
  - "Bore down" from services to technology
- Emphasize C/S products and services
  - Network oriented products/services

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Conclusion
Implications for IBM

Match sales and support processes to buying and operations processes

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- **Software and Services Market Forecasts**
- **Software and Services Vendors**
- **U.S. Federal Government**
  - Procurement Plans (PAR)
  - Forecasts
  - Awards (FAIT)
- **Commercial Application (LEADS)**

CUSTOM PROJECTS

For Vendors—analyze:

- **Market strategies and tactics**
- **Product/service opportunities**
- **Customer satisfaction levels**
- **Competitive positioning**
- **Acquisition targets**

For Buyers—evaluate:

- **Specific vendor capabilities**
- **Outsourcing options**
- **Systems plans**
- **Peer position**

OTHER SERVICES

Acquisition/partnership searches

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